PROJECTED EFFECTS OF EXCHANGING THE LEVEL OF GOVERNMENT RESPONSIBLE FOR THE AFDC, FOOD STAMP, AND MEDICAID PROGRAMS

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Senator Robert C. Byrd

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SUMMARY

In his State of the Union address, the President proposed that the states assume full responsibility for two major income support programs, Aid to Families with Dependent Children (AFDC) and food stamps, which are now partially or fully funded by the federal government. In exchange, the federal government would pick up the full cost of the Medicaid program, which is now partially funded by the states. This memorandum examines some of the effects of such an exchange.

The full effects of the proposed swap cannot be estimated at this time, however, for several reasons. First, several aspects of the proposed plan have not yet been made public. The Administration has announced that further cuts will be proposed in all three programs before the exchange would take place. In addition, a federal takeover of the Medicaid program could involve the institution of more uniform eligibility criteria and covered services, but just what these would be is as yet unknown.

Second, state responses to the proposed exchange are hard to predict. States could either lower or raise spending levels in AFDC and food stamps if they were fully responsible for these programs. In addition, if federal assumption of the Medicaid program

changed the distribution of Medicaid benefits across states, individual states could raise or lower their spending on other health care programs in response.

Finally, while data are available on the current distribution of expenditures in these three programs by state, it is difficult to predict for each state the effects of changes in population, economic circumstances and state policies that could affect total spending. As a result of these effects, state-by-state spending distributions could be quite different from the current pattern by 1984, even without major changes in federal spending policies.

For these reasons, the findings presented below should be interpreted with some caution. They are based on projections of spending at the level necessary to provide current services in each of the three programs under the CBO's baseline economic assumptions. They do not take into account any further cuts in spending or other policy changes, or any shifts in relative expenditure levels across states.

The major findings of this study are:

- If the proposed exchange were carried out in 1984 on the three programs as they are now, the financial responsibilities of the federal government and of the states as a whole would not change a great deal. The federal government would be responsible for $1.5 billion less in benefit payments in 1984 for the three programs than under current law. Over time, however, this gain would decline, since Medicaid costs are expected to rise faster than food stamp and AFDC costs.

- In 1984, 38 states would lose under the exchange, whereas 12 states and the District of Columbia would gain, if all states maintained current services. The impacts would vary considerably among states, however, with some states experiencing gains or losses that were very large relative to their total expenditures in these three programs, and other states experiencing almost no change.

- States with relatively generous Medicaid programs and high AFDC payment standards would be most likely to gain. Such states have relatively more people who are eligible for Medicaid and thus higher Medicaid costs, which would be shifted to the federal government. Food stamp costs would be relatively low for states with high AFDC standards since income from AFDC is taken into account in determining food stamp benefits. AFDC costs would increase more for these states than for states with low payment standards, but this relative increase would generally not outweigh the food stamp and Medicaid effects.

INTRODUCTION

As part of its "New Federalism" initiative, the Administration has proposed that the states assume full responsibility for two major income support programs, Aid to Families with Dependent Children (AFDC) and food stamps, which are now partially or fully funded by the federal government. In exchange, the federal government would pay the full cost of the Medicaid program, which is now partially funded by the states. This memorandum describes the general characteristics of these programs, gives the CBO's projections of federal expenditures in each, and discusses some of the implications of the proposed swap for both federal and state expenditure levels.

BACKGROUND INFORMATION ON THE SWAP PROGRAMS

All three of the programs that would be involved in the proposed exchange are designed to serve households with low incomes. The AFDC program provides support payments to low-income single-parent families with dependent children, and to a small number of two-parent families in which neither parent is employed. The Food Stamp program provides coupons redeemable for food, in amounts based on income and family size, to low-income families and

individuals. The Medicaid program pays for medical services for eligible people with low incomes, most of whom receive either AFDC or Supplemental Security Income (SSI) benefits.[1]

The groups aided by these programs overlap a great deal. Virtually all households that receive AFDC are eligible for Medicaid, for example, and about three quarters of them receive food stamps. In addition, many low-income households with members who are elderly or disabled are eligible for both food stamps and Medicaid. Participants in the SSI program, for example, are generally eligible for Medicaid benefits, and about half also receive food stamps.

Table 1 summarizes administrative responsibility, financing provisions, eligibility requirements, and the determination of benefit levels under each of the three programs that would be involved in the Administration's proposed swap.

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1. The Supplemental Security Income program is a federal program that provides benefits to low-income people who are aged, blind or disabled. The program was created in 1972 to replace a myriad of state public assistance programs serving the same populations. Federal SSI benefits provide an income of up to 70 to 80 percent of the poverty level. In addition, 25 states and the District of Columbia provide supplementary SSI benefits.

TABLE 1. SUMMARY DESCRIPTION OF AFDC, FOOD STAMP, AND MEDICAID PROGRAMS

	AFDC	Food Stamps	Medicaid
Administrative Responsibility	State and Local.	State and Local.	State and Local.
Financing	Federal-state cost-sharing, based on an expenditure-matching formula.	Federal.	Federal-state cost-sharing, based on an expenditure-matching formula.
Benefit Levels	State determined. Wide variation nationwide.	Federally determined. Uniform nationwide.	Basic services determined by federal government. States may add additional services at their option.
Eligibility	Minimum categorical eligibility requirements are federally determined. Income standards are set by states.	Categorical and income eligibility standards are federally determined.	Minimum categorical eligibility requirements are federally determined, although income eligibility standards are set by states.

Administration and Financing

Under current law, administrative responsibility for all three of the programs that would be involved in the swap rests with state and local governments. Funding for two of the three programs, AFDC and Medicaid, is shared by the federal government and the states, with the federal share in each state depending on state per capita income. Federal shares range between 50 and 78 percent, and average about 54 percent. Both programs are entitlements, so total expenditures depend on the number of eligible applicants.

Food stamp benefits are entirely federally financed. Expenditures depend on the prices of foods included in the Department of Agriculture's Thrifty Food Plan, and on the number of eligible families applying for benefits. The food stamp program is an appropriated entitlement program, and in the past supplemental appropriations have been voted as necessary to provide all benefits, although under existing legislation benefits may be reduced if the appropriated funds are insufficient.

Benefit Levels and Eligibility

Benefit levels and eligibility requirements vary widely across states, except in the food stamp program. For AFDC, categorical eligibility requirements such as the presence of a depend-

ent child in the household are for the most part set nationally.[2] However, the level of benefits and the maximum income a family may receive and still be eligible for benefits depends on each state's payment standard.[3] Payment standards are the maximum amounts states pay to eligible families with no other income, and they range from $118 for a family of three in Texas and Alabama, to more than $500 for a similar family in California, Alaska or Vermont.

Current variations in AFDC benefits across states are partially offset by differences in food stamp benefits.[4] AFDC income is taken into account in determining the amount of food stamps received, and the same income standards apply in all states for food stamp benefits. Thus, similar families in states with lower AFDC benefits receive more in food stamps. If food stamps were made a state program, states that now have relatively low payment

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2. States have some options, such as whether or not to provide benefits to two-parent families in which neither parent is employed.

3. State need standards, which may differ from payment standards, may also affect eligibility, since only households with gross incomes below 150 parent of their state's need standard are eligible for AFDC benefits.

4. The offset is not one-for-one, however. Food stamp recipients are allowed to disregard some of their income when computing benefits. For most food stamp recipients, an extra dollar of AFDC benefits would reduce food stamp benefits by 30 cents.

standards for AFDC could institute low income cutoffs for food stamps, which would increase disparities between similar families in different states.

Eligibility for Medicaid benefits depends in large part on eligibility for either AFDC or SSI. AFDC and SSI beneficiaries are in general automatically eligible for Medicaid, and participants in those two programs account for about three fourths of Medicaid recipients nationwide.[5] Since the income cutoffs for SSI and AFDC eligibility vary across states, eligibility for Medicaid also varies.[6] If the federal government assumed full responsibility for Medicaid but states continued to determine the income eligibility cutoffs for AFDC and SSI, this variation in Medicaid eligibility across states would continue, unless the categorical eligibility requirements for Medicaid were also changed.

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5. AFDC recipients are automatically eligible for Medicaid in every state but Arizona, which will institute a Medicaid program at the beginning of fiscal year 1983. SSI recipients are automatically eligible in all but 15 states, and even in those states only a few SSI recipients are excluded from eligibility.

6. The SSI program provides a basic benefit level, funded by the federal government, to low-income households in all states. In addition, 25 states and the District of Columbia provide supplementary SSI benefits, which vary considerably across states. Thus, households with incomes just above the federal guarantee level are eligible for benefits in some states but not in others.

In addition to those who are categorically eligible for Medicaid, states may choose to provide coverage to some other low-income recipients. About 18 percent of current Medicaid recipients are eligible under state programs for the "medically needy". Such recipients are generally elderly, disabled, or part of low-income households with dependent children, but with incomes above the eligibility level for SSI or AFDC. However, their incomes after deducting medical expenses must fall below state income standards for the "medically needy" for them to receive Medicaid benefits. About 30 states now have programs for the medically needy. In addition, states may also choose to cover some people who meet the income eligibility criteria but not all of the categorical eligibility criteria for AFDC or SSI. Overall, however, only about half of those with incomes below the poverty level are eligible for Medicaid. If a national Medicaid program were established, it is unclear whether it would contain some provision for the medically needy and other recipients now covered at state option and, if so, how eligibility for such benefits would be determined.

PROJECTED FEDERAL EXPENDITURES IN AFDC, FOOD STAMPS AND MEDICAID UNDER CURRENT LAW

The CBO has projected federal expenditure levels by type of expenditure over the next five years, for each of the three programs that would be involved in the swap. These projections re-

flect the federal costs of providing current levels of services in each of these programs as they are now established. The projections do not include the reductions in these programs proposed by the Administration in its 1983 budget. All of the projections are based on the CBO's current economic assumptions, as set forth in Baseline Budget Projections for Fiscal Years 1983-1987 (February 1982).

Aid to Families with Dependent Children

Total federal expenditures for AFDC are projected to grow from about $8.3 billion in 1983 to about $10.4 billion in 1987, or by about 24 percent (see Table 2). Benefits are projected to increase by about 19 percent, while administration and training costs will increase by about 34 percent. Administrative cost increases have been projected under the assumption that the cost per recipient will rise approximately as fast as wages and prices overall. Benefit increases, however, have been projected under the assumption that the average benefit per recipient will continue to rise at almost the same rate over the next few years as it has in the recent past. AFDC benefits are not indexed for inflation, and although benefit payment standards may be raised by states at their discretion to adjust for increasing price levels, such increases have not kept pace with inflation over the last few

TABLE 2. PROJECTED FEDERAL EXPENDITURES FOR AFDC, FISCAL YEARS 1983-1987 (In millions of dollars)

	1983	1984	1985	1986	1987
Total Federal Expenditures	8,339	8,510	9,141	9,733	10,353
Benefit Payments	7,112	7,302	7,669	8,065	8,474
Federal Share of State and Local Administration and Training Costs	951	1,026	1,106	1,189	1,276
Emergency Assistance	64	67	71	75	80
Other[a]	212	115	295	404	523

SOURCE: CBO Preliminary Estimates.

a. Includes Child Support Enforcement, error rate sanctions, and federal administrative costs.

years. Average benefit payments per recipient have increased by about 30 percent since 1977, for example, compared with an increase in the CPI of about 50 percent over the same period.

Food Stamps

Total federal expenditures in the Food Stamp program are projected to grow from about $11.7 billion in 1983 to about $14.8 billion in 1987, or about 26 percent (see Table 3). Again, benefit payments account for most of the expenditures. Food stamp

benefit levels increase with increases in the prices of foods included in the Thrifty Food Plan, a basic food consumption plan compiled by the Department of Agriculture. Therefore, they rise automatically as food prices increase, although there will be no adjustment in fiscal year 1982 as a result of legislation passed last year. The projections shown in Table 3 assume that indexing of benefits will resume in 1983 and continue through 1987.

TABLE 3. PROJECTED FOOD STAMP EXPENDITURES, BY TYPE, FISCAL YEARS 1983-1987 (In millions of dollars)

	1983	1984	1985	1986	1987
Total Federal Expenditures	11,720	12,083	13,093	13,872	14,780
Benefit Payments	10,925	11,248	12,223	12,953	13,841
Total Administrative Costs	1,380	1,450	1,510	1,595	1,629
Federal Share	795	835	870	919	939
State Share	585	615	640	676	690

SOURCE: CBO Preliminary Estimates.

Medicaid

Under current law, federal Medicaid expenditures are projected to grow from $20.1 billion in 1983 to $30.5 billion in 1987, or by over 50 percent. This represents a considerably greater increase than that projected for either the AFDC or food stamp pro-

grams. This high rate of growth is linked to both projected increases in medical care prices, which are expected to continue to increase faster than prices overall, and to increased use of health care services. These projections are based on the assumption that states will continue to provide current levels and types of services.[7]

As noted earlier, both services provided and types of recipients under Medicaid may differ considerably across state programs. As Table 4 shows, about 60 percent of total federal expenditures go for mandatory expenditures such as those on hospital services. The other 40 percent are spent on services such as intermediate care facilities, which states may provide at their option.[8] If the Medicaid program became fully federal, it is not clear which of these services would be provided. In addition, as Table 5 shows, almost half of federal Medicaid expenditures go to

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7. There is some evidence that levels and types of services provided by states may actually be declining, in response both to recent Medicaid legislation and to changes in states' fiscal resources.

8. Some optional services such as intermediate care facilities (ICF) may provide states with lower cost substitutes for some mandatory services, and so may represent expenditures which are in a sense not truly optional. ICF services are now provided by all states, for example, and account for 63 percent of spending on optional services.

TABLE 4. FEDERAL MEDICAID EXPENDITURES, BY TYPE OF SERVICE,[a] FISCAL YEAR 1983 (In millions of dollars)

	Federal Expenditures	Percent of Total Federal Expenditures
Total Federal Expenditures	20,082	100.0
Mandatory Services		
Inpatient Hospital Services	5,400	26.9
Outpatient Hospital Services	950	4.7
Skilled Nursing Facilities	3,197	15.9
Other Mandatory Services	2,075	10.3
Optional Services		
Intermediate Care Facilities: for the Mentally Retarded	1,703	8.5
Intermediate Care Facilities: for All Others	3,643	18.1
Prescribed Drugs	1,139	5.7
Other Optional Services	1,936	9.6

SOURCE: CBO Preliminary Estimates. Components may not add to totals due to rounding.

a. The distribution of expenditures assumes continuation of patterns prevailing in fiscal year 1980. However, changes recently enacted in the Medicaid program, as well as shifts in state populations and resources, could alter these patterns substantially.

TABLE 5. FEDERAL MEDICAID EXPENDITURES BY RECIPIENT CATEGORY,[a] FISCAL YEAR 1983 (In millions of dollars)

	Federal Expenditures	Percent of Total Federal Expenditures
Total Federal Expenditures	20,082	100.0
Required Coverage		
AFDC Recipients	4,838	24.1
SSI Recipients	5,671	28.2
Optional Coverage[b]		
AFDC Categorically-Related	129	0.6
SSI Categorically-Related	3,040	15.1
Medically Needy and Other	6,376	31.7

SOURCE: CBO Preliminary Estimates. Components do not add to total due to rounding.

a. The distribution of expenditures assumes continuation of patterns prevailing in fiscal year 1980. However, changes recently enacted in the Medicaid program, as well as shifts in state populations and resources, could alter these patterns substantially.

b. States may choose to provide coverage to persons who meet most of the eligibility criteria for AFDC or SSI, but do not receive cash benefits. This includes, for example, individuals who would be eligible for cash assistance except for their institutional status. In addition, states may provide coverage to some persons--the medically needy--with incomes above SSI and AFDC benefit levels, but whose medical expenses reduce their net incomes to levels below the state's income eligibility standard.

those covered at the option of state Medicaid programs, with the largest share going to those who qualify as medically needy. It is also unclear how these recipients would be affected by the switch to a completely federal Medicaid program.

Medicaid expenditures paid for by the states are also projected to grow over the next several years, although the state share of total Medicaid expenditures is expected to decline after 1984. Under current law, state Medicaid programs lose some of their federal matching grants if expenditures exceed specified target levels. This provision expires in 1985, however, so the state share of total Medicaid expenditures is projected to fall then and to continue at that level in later years.

EFFECTS OF THE AFDC/FOOD STAMP-MEDICAID SWAP

Because details are not yet available on the proposed swap, or on the legislative changes that the Administration plans to propose before the swap would go into effect in 1984, it is not possible at this time to give a complete estimate of either the aggregate or the state-by-state effects of the proposed exchange. However, the CBO has estimated what these effects would be if the exchange were carried out on these programs as they exist under current law.

As with the other estimates given in this memorandum, these estimates assume that all three programs will continue to provide current levels of services, and they are based on the CBO's current economic assumptions.

Aggregate Effects

The federal government would be a net gainer if the proposed exchange were carried out in 1984, if the three programs continued then to provide the same services as they do now. As Table 6 shows, the net gain to the federal government as a result of the swap would decline over the following three years, however, since the Medicaid program is projected to grow at a faster rate than AFDC and food stamps after 1985.

These estimates do not represent the full effects of Administration's plan, however. First, the Administration has announced that it will propose additional reductions in AFDC, food stamps, and Medicaid, to be implemented before the exchange would take place. The estimates shown in Table 6 reflect neither these reductions, nor the reductions already proposed in the Administration's 1983 budget.

TABLE 6. AGGREGATE EFFECTS OF EXCHANGING THE FEDERAL SHARES OF AFDC AND FOOD STAMPS FOR THE STATE SHARE OF MEDICAID, FISCAL YEARS 1984-1987[a] (In billions of dollars)

	1984	1985	1986	1987
Federal AFDC Expenditures	8.5	9.1	9.7	10.4
Federal Food Stamp Expenditures	12.1	13.1	13.9	14.9
Total Federal AFDC plus Food Stamp Expenditures	20.6	22.2	23.6	25.3
Total State Expenditures on Medicaid	19.1	20.6	22.5	24.7
Net Gain to Federal Government	1.5	1.6	1.1	0.6

SOURCE: CBO Preliminary Estimates.

a. Assumes continuation of current levels of services in all three programs.

Second, the projections of state shares of Medicaid expenditures shown in Table 6 assume the continuation of state Medicaid programs as they currently exist. If the Medicaid program became fully federal, some standardization of both eligibility criteria and services provided might take place. This could lead to substantial changes in expenditure levels. These changes cannot be estimated, however, until details of the proposed federal Medicaid program have been released.

Finally, these estimates do not take into account any changes states might make in their programs in response to the swap. As discussed earlier, for example, states could change the income cutoff for food stamp eligibility if they became responsible for the program. Further, if the Medicaid program became fully federal, benefit levels and eligibility criteria might change in some states. Those states could choose to establish supplementary health care programs of their own to maintain benefit levels, or where benefit levels had increased, states could reduce expenditures for other health care programs.

State-by-State Effects

The preparation of state-by-state estimates of the effects of the proposed exchange requires even stronger assumptions than those used to prepare estimates of the aggregate effects. In particular, the estimates shown in Table 7 are based on the assumption that not only will aggregate spending continue at the level necessary to provide current services in these three programs in 1984, but that the distribution of expenditures across states will also be unchanged.

If the proposed swap were to take place, some changes in the current distribution of spending are likely. If a completely federal Medicaid program were established with more uniform

benefit levels and eligibility rules, for example, Medicaid recipients in states that now have relatively generous Medicaid programs might experience a decline in their benefits, while recipients in states that are now without programs for the medically needy might experience an increase. Further, if some states changed their AFDC payment levels in response to the swap, and Medicaid eligibility continued to be tied to AFDC, Medicaid expenditures would also be affected. If, for example, states increased AFDC levels, making more families eligible for both AFDC and Medicaid, and commensurately reduced food stamp expenditures, federal Medicaid expenditures could rise considerably while total state expenditures would remain the same. Finally, if states became fully responsible for food stamp payments, some states could choose to alter benefit levels in that program, which would also affect the distribution of total benefits across states.

Table 7, therefore, shows only the levels of spending projected in 1984 for each state in each of the three programs as they now exist. If all three programs continued to be funded at the level necessary to maintain current services in 1984, and the same distribution of benefits by state were in effect, 38 states would be net losers if the swap took place, whereas 12 states and the District of Columbia would gain.

TABLE 7. PROJECTED FISCAL YEAR 1984 DISTRIBUTION OF EXPENDITURES BY STATE, FOR PROGRAMS INCLUDED IN THE ADMINISTRATION'S PROPOSED EXCHANGE[a] (In millions of dollars)

	State Medicaid Expenditures	Federal Food Stamp Expenditures	Federal AFDC Expenditures	Federal Food Stamp plus AFDC Expenditures	Net Effect on States
All States	19,083	12,083	8,510	20,593	-1,509
Alabama	137	364	68	432	-295
Alaska	35	39	22	60	-26
Arizona	0	157	29	186	-186
Arkansas	116	173	43	217	-100
California	2,770	770	1,551	2,322	448
Colorado	157	108	58	165	-8
Connecticut	286	88	115	204	82
Delaware	40	34	19	53	-13
District of Columbia	128	59	56	115	12
Florida	320	617	259	876	-556
Georgia	270	382	144	526	-255
Hawaii	88	85	52	137	-50
Idaho	32	43	18	60	-28
Illinois	1,002	626	463	1,089	-87
Indiana	329	250	99	349	-19

(Continued)

TABLE 7. Continued

All States	State Medicaid Expenditures	Federal Food Stamp Expenditures	Federal AFDC Expenditures	Food Stamp plus AFDC	Net Effects on States
Iowa	169	94	99	193	-24
Kansas	145	64	56	120	25
Kentucky	180	334	118	452	-273
Louisiana	259	340	111	451	-192
Maine	77	85	43	128	-51
Maryland	341	215	133	348	-7
Massachusetts	744	236	317	554	190
Michigan	1,005	492	671	1,163	-158
Minnesota	482	105	157	262	219
Mississippi	92	287	55	342	-250
Missouri	240	227	134	361	-120
Montana	37	28	15	43	-5
Nebraska	80	39	32	72	8
Nevada	52	27	11	38	15
New Hampshire	51	34	19	53	-2
New Jersey	612	349	344	693	-81
New Mexico	49	112	38	150	-101
New York	3,998	1,088	1,013	2,101	1,897
North Carolina	249	337	122	460	-211

(Continued)

TABLE 7. Continued

All States	State Medicaid Expenditures	Federal Food Stamp Expenditures	Federal AFDC Expenditures	Food Stamp plus AFDC	Net Effects on States
North Dakota	39	15	11	27	12
Ohio	719	625	400	1,025	-306
Oklahoma	193	106	74	179	14
Oregon	138	165	81	246	-108
Pennsylvania	965	610	506	1,116	-151
Rhode Island	105	50	47	97	8
South Carolina	118	263	65	328	-210
South Dakota	32	27	14	41	-9
Tennessee	231	420	74	494	-263
Texas	705	753	124	876	-171
Utah	47	38	40	77	-31
Vermont	35	27	29	56	-21
Virginia	283	247	117	365	-81
Washington	275	167	146	313	-38
West Virginia	64	150	46	196	-132
Wisconsin	549	121	246	367	181
Wyoming	14	10	5	15	-1

SOURCE: CBO Preliminary Estimates.

a. Distributions are based on 1981 spending patterns, and assume the continuation of funding at the level necessary to provide current services in each state.

In general, those states with relatively high AFDC payment standards and high Medicaid costs would be the net gainers. Three different types of factors may contribute to this finding. First, if AFDC payment standards are high, relatively more families will be eligible for AFDC and thus for Medicaid. But since Medicaid is a more expensive program than AFDC, the state could gain more from the federal assumption of Medicaid costs than it would lose as a result of becoming fully responsible for AFDC, especially if the state's Medicaid program is relatively generous. Although state AFDC costs would also increase more as a result of the exchange in high payment standard states than in those with low payment standards, this increase would generally not outweigh the reduction in Medicaid costs that would take place. The effects of a high AFDC payment standard on AFDC costs may be small relative to its effects on eligibility, since the additional households made eligible by a high standard will have relatively high incomes, and thus will receive low benefits. These households would be eligible for full Medicaid benefits, however.

Second, state Medicaid costs depend on the number of SSI recipients and of those qualifying as medically needy as well as on the number of AFDC recipients. States that have high AFDC payment standards may also be more likely to have high state supplement

levels for SSI, and relatively high income standards for the medically needy.[9] If such states also have relatively large numbers of low-income elderly households (New York, for example), projected Medicaid costs will be very high. Correspondingly, the gains to such states that would result from the exchange would also tend to be large.

Third, since income eligibility standards for food stamps are uniform nationally, families in states with high AFDC payment standards receive less in food stamps than do those in states with low AFDC benefits. Thus, the cost of maintaining food stamp benefits at the level now provided would be less for states with high AFDC payment standards. Again, if states with high AFDC payment standards also tend to have relatively high SSI benefit levels, this will contribute to lower food stamp costs. If further cuts are made in AFDC, Medicaid, and food stamps, however, or if states with low AFDC benefits chose not to maintain food stamp benefits at the level now provided by the federal government, the impact of the exchange across states could be very different.

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9. Of the 12 states that would gain under the exchange, all but 3 have AFDC payment standards for a family of 3 of at least $350, and all but 2 have state supplements in SSI that would raise SSI benefit levels for a single individual with no income to at least $300 a month. Two thirds of the states that would gain have both AFDC and SSI benefits above these levels, and all but three states with AFDC and SSI benefits this high would be net gainers. In addition, all but one of the states that would gain have state programs for the medically needy.